

MAYVILLE COMMUNITY SCHOOLS

Mayville, Michigan

REPORT ON FINANCIAL STATEMENTS

(with required supplementary and
additional information)

June 30, 2007

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	<i>i - viii</i>
BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements</i>	
<i>Statement of Net Assets</i>	1
<i>Statement of Activities</i>	2
<i>Fund Financial Statements</i>	
<i>Balance Sheet - Governmental Funds</i>	3
<i>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets</i>	4
<i>Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds</i>	5
<i>Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities</i>	6
<i>Fiduciary Funds</i>	
<i>Statement of Fiduciary Net Assets</i>	7
<i>Statement of Changes in Fiduciary Net Assets</i>	8
<i>Notes to Financial Statements</i>	9 - 21
REQUIRED SUPPLEMENTAL INFORMATION	
<i>Budgetary Comparison Schedule - All Major Funds</i>	22
ADDITIONAL INFORMATION	
<i>Nonmajor Governmental Fund Types</i>	
<i>Combining Balance Sheet</i>	23
<i>Combining Statement of Revenues, Expenditures and Changes in Fund Balance</i>	24
<i>General Fund:</i>	
<i>Schedule of Revenues and Other Financing Sources Compared to Budget</i>	25
<i>Schedule of Expenditures and Other Financing Uses Compared to Budget</i>	26 - 33
<i>Special Revenue Funds:</i>	
<i>Combining Balance Sheet</i>	34
<i>Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance</i>	35
<i>Capital Projects Fund:</i>	
<i>Combining Balance Sheet</i>	36
<i>Combining Schedule of Revenues, Expenditures and Changes in Fund Balances</i>	37
<i>Debt Service Fund:</i>	
<i>Combining Balance Sheet</i>	38
<i>Combining Schedule of Revenues, Expenditures and Changes in Fund Balances</i>	39
<i>Fiduciary Funds:</i>	
<i>Agency Funds - Statement of Cash Receipts, Cash Disbursements and Liabilities</i>	40 & 41
<i>Schedule of Bonded Debt:</i>	
<i>School Building & Site</i>	42 & 43
<i>School Improvement</i>	44
<i>Energy</i>	45
<i>1998 issue</i>	46

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September 19, 2007

INDEPENDENT AUDITOR'S REPORT

Board of Education
Mayville Community Schools
Mayville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Mayville Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2007 on our consideration of Mayville Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages *i* through *viii* and page 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Mayville Community Schools
September 19, 2007

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mayville Community Schools' basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Mayville Community Schools has implemented Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. Our discussion and analysis of Mayville Community Schools' financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2007.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in *Statement No. 34 basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's *net assets* – the difference between assets and liabilities, as reported in the Statement of net Assets, is one way to measure the School District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the School District's *operating results*. However, the School District's goal is to provide services to its students, not to general profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must also be considered when assessing the *overall health* of the School District.

The School District's net assets totaled \$1,892,476 and 1,661,266 at June 30 2007 and 2006, respectively. The following is a summary of the District's net assets at June 30, 2007 and 2006.

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Assets	2007	2006
Current assets	\$ 4,180,704	\$10,396,783
Capital assets net depreciation	<u>\$14,935,387</u>	<u>\$10,321,733</u>
Total assets	<u>\$19,116,091</u>	<u>\$20,718,516</u>
Liabilities		
Current liabilities	\$ 2,958,224	\$ 4,137,008
Long-term liabilities	<u>\$14,265,391</u>	<u>\$14,920,242</u>
Total liabilities	<u>\$17,223,615</u>	<u>\$19,057,250</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 581,350	(4,926,814)
Restricted for capital projects	\$ 1,122,744	6,204,078
Restricted for Debt Service	\$ 369,000	408,438
Unrestricted	<u>(180,618)</u>	<u>(24,436)</u>
Total net assets	<u>\$ 1,892,476</u>	<u>\$ 1,661,266</u>
Total liabilities and net assets	<u>\$19,116,091</u>	<u>\$20,718,516</u>

Total net assets increased to \$1,892,476 in 2006-07 compared to a total of \$1,661,266 in net assets in 2005-06, an increase of \$231,210. The major components of the increase in the net fixed assets are as follows:

- Building Project
Capital assets net value increased as a result of the 14.54 Million dollar building project.

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-wide results of operations for the year ended June 30, 2007 is as follows:

	2007	2006
Revenues		
Program Revenues		
Fees for services	\$209,436	\$212,244
Operating grants	538,263	615,346
General revenue		
State Foundation	7,668,049	7,606,850
Property Taxes	1,465,424	1,336,872
Other	344,212	606,798
Total Revenues	\$10,225,384	\$10,378,110
Expenses		
Instruction	\$5,398,149	\$5,411,897
Support Services	2,699,206	\$2,708,794
Community Services	2,750	\$579
Food Service	409,572	401,704
Athletics	255,315	218,364
Capital Projects	-	7,523
Capital Outlay (non-capitalized)	33,791	8,383
Interest on long-term debt	644,279	710,573
Depreciation – unallocated	551,112	269,167
Total Expenses	\$9,994,174	\$9,736,984

INCREASE IN NET ASSETS	2007	2006
Net assets – July 1	\$1,661,266	\$1,020,140
Net assets – June 30	1,892,476	\$1,661,266
Total	\$231,210	\$641,126

MAYVILLE COMMUNITY SCHOOLS

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

The financial condition of the governmental funds changed significantly as indicated by the combined fund balance of \$1,870,666 in 2006-07, compared to \$6,959,822 in 2005-06. This change is largely a result in expending funds collected from passing the bond issue for the building project.

In the General Fund, our principal operating fund, the fund balance increased \$61,202. This increase was the result of a combination of a reduction in spending, an increase in state funding, a reduction in retirement costs, and lower than normal increases in health.

For the 2006-07 fiscal year, the Debt Service Fund millage rate was 6.0 mills. Millage rates are determined annually to ensure the School District accumulated sufficient resources to pay annual bond issue-related debt service.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments, actual State Aid per pupil and staffing changes are known. Currently, the most significant budgeted fund is the General Fund. During the fiscal year ended June 30, 2007, the School District amended the budget of this major governmental fund two times.

General Fund

In the general fund, the actual revenue was \$8,695,427. This is below the original budget estimate of \$8,783,876 and below the final amended budgeted amount of \$8,750,648.

General Fund revenue totaled \$8,566,286 and total expenditure \$8,634,225 for the year. The fund balance was \$374,183 at June 30, 2007.

GOVERNMENTAL FUND EXPENDITURES

The following chart illustrated that general fund comprises 54% of all the expenditures within the governmental funds of the School District. As of June 30, 2007, expenditures totaled \$15,442,757.

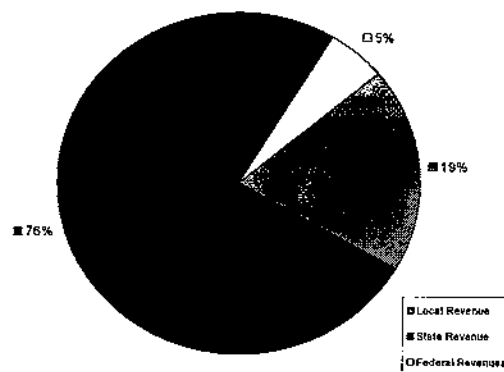
	June 30, 2007	% of TOTAL
General Fund	\$ 8,263,789	54%
Special Revenue Fund	\$ 664,887	4%
Debt Retirement Fund	\$ 1,238,461	8%
Capital Projects Fund	\$ 5,275,620	34%
Total	\$15,442,757	100%

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

TOTAL REVENUES

Revenues for all governmental funds totaled \$10,179,318 in fiscal year 2006-07. The following graph illustrates the district revenues by source as a percentage of total revenue:

Local Revenue	\$ 1,973,006	19.4%
State Revenue	\$ 7,668,049	75.3%
Federal Revenue	\$ 538,263	5.3%
TOTAL	\$10,179,318	



Unrestricted State Aid

The district is predominately funded by State Aid, which has remained as the same level for two of the last three school years; however, for the 2006-07 fiscal year, the State raised the level of funding to \$7,085 per pupil. State Aid membership was \$6,875 per pupil in 2005-06 and \$6,700 for 2004-05.

Property Taxes

The district levied 17.7953 mills, of property taxes on all Non-Homestead property located within the district for General Fund operations during the 2006-07 school year. This millage rate was below the 17.9334 mills that the district levied in the 2005-06 school year. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The 2006-07 Non-homestead property tax levy totaled approximately \$497,562.

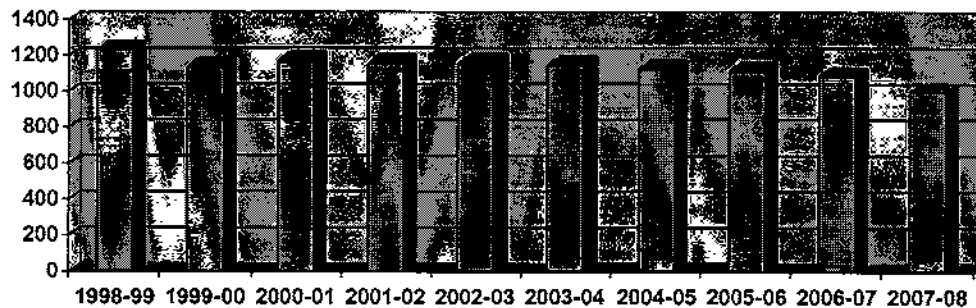
The District levies 6.0000 mills of property taxes on all classes of property located within the district for bonded debt retirement. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement in the 2006-07 year was \$915,348.

MAYVILLE COMMUNITY SCHOOLS MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Enrollment

The enrollment of Mayville Community Schools totaled 1088 students in 2006-07. This is a decrease in enrollment of 24 students from the 2005-06 year. The School District is located in Tuscola and Lapeer Counties and it is considered a rural community. The School District's enrollment includes students K-12 and Before K students, located in learning centers in Mayville.

Enrollment over the last eight years, plus a 2007-08 projection is illustrated as follows:



Enrollment is important to the financial health of the School District because State funding is based on the per-pupil formula. For the fiscal year ended June 30, 2007, the gross per-pupil allowance was \$7,085.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007, the School District had \$19,257,252 invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$4,321,865 has been depreciated. Net book value totals \$14,935,387. The majority of the buildings have been either constructed or remodeled as a result of the 2004 Bond Issue. The district is committed to the timely repairs and maintenance of its facilities. The District's capitalization policy threshold is \$5,000.

	Governmental Activities
Land and Buildings	\$17,143,898
Land Improvements	\$ 374,822
Equipment and Furniture	\$ 763,440
Buses and other vehicles	\$ 975,092
Total	\$19,257,252

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Debt

OUTSTANDING DEBT AT YEAR-END

At June 30, 2007, the School District had \$15.2 million in debt outstanding as compared to 15.9 million at the end of the previous year. The debt outstanding consisted of the following:

Bus Notes	\$ 79,541
Energy Notes	\$ 730,000
Durant Issue	\$ 78,968
School Improvement Notes	\$ 255,000
2004 Building and Site Bonds	\$13,990,000
Installment Loans	\$ 25,834
Compensated absences and incentives	\$ 462,893

It needs to be noted that the Durant Issue is a legal obligation of the School District, but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payment. If the legislature fails to appropriate for these bonds, the School District is under no obligation for payment. The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating.

State statutes limit the amount of debt school can issue. The School District's outstanding debt of \$15.8 million is under the statutory imposed limits.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The School District's revenue is heavily dependent on enrollment, State funding, and thus, the health of the State's School Aid Fund. The State periodically holds revenue consensus conferences to estimate its revenues. Based on the results of these conferences, the State determines whether they have sufficient funds to meet the \$7,085 per student allocation that they have indicated that they will fund for the 2007-08 school year. It is because of the uncertainty of the funding level, that the district chose to budget the per pupil allocation at \$6,960.

The State's current blending formula (25% February 2007 count and 75% September 2007 count) is the same formula that was used in the 2006-07 school year. The district's blended count is projected to be lower in the 2006-07 school year.

Even if the State revenues improve, future budget reductions may be required to handle the increasing costs, such as health insurance, State mandated retirement contribution and the ever-increasing costs of fuel and the utilities because the district's population will continue to decline.

**MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of Mayville Community Schools. If you should desire additional detailed financial program audits, they can be obtained by contacting the following person:

William Hartzell, Superintendent
Mayville Community Schools
6250 Fulton Street, Mayville, MI 48744-9103
Telephone – 989-843-6115, ext 205 Fax – 989-843-6988
E-mail – hartzellw@mayville.k12.mi.us

BASIC FINANCIAL STATEMENTS

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2007

		GOVERNMENTAL ACTIVITIES
		<hr/>
	ASSETS	
CURRENT ASSETS:		
Cash & equivalents		\$ 50,337
Investments		2,667,258
Taxes receivable		8,030
Due from other governmental units		1,455,079
		<hr/>
TOTAL CURRENT ASSETS		4,180,704
		<hr/>
NONCURRENT ASSETS:		
Building Improvements		17,143,898
Land and improvements		374,822
Equipment and furniture		763,440
Buses and other vehicles		975,092
Less accumulated depreciation		(4,321,865)
		<hr/>
TOTAL NONCURRENT ASSETS		14,935,387
		<hr/>
TOTAL ASSETS		\$ 19,116,091
		<hr/>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:		
Accounts payable		\$ 177,464
Note payable		1,300,000
Salaries and benefits payable		751,977
Accrued expenses		44,958
Payroll liabilities		1,014
Accrued interest payable		104,677
Deferred Revenue		26,596
Compensated absences payable, current portion		130,153
Retirement incentives payable, current portion		36,323
Bonds payable, current portion		340,000
School bus loans payable, current portion		11,786
Notes payable, current portion		25,834
		<hr/>
TOTAL CURRENT LIABILITIES		2,950,781
		<hr/>
NONCURRENT LIABILITIES:		
Compensated absences payable, long term portion		242,014
Retirement incentives payable, long term portion		54,403
Bonds payable, long term portion		13,829,770
School bus loans payable long term portion		67,679
Durant bond payable, long term portion		78,968
		<hr/>
TOTAL NONCURRENT LIABILITIES		14,272,834
		<hr/>
NET ASSETS:		
Invested in capital assets, net of related debt		581,350
Restricted for Capital Projects		1,122,744
Restricted for Debt Service		369,000
Unrestricted		(180,618)
		<hr/>
TOTAL NET ASSETS		1,892,476
		<hr/>
TOTAL LIABILITIES AND NET ASSETS		\$ 19,116,091
		<hr/>

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 5,398,149	\$ 1,078	\$ 220,172	\$ (5,176,899)
Support services	2,699,206	462	94,360	(2,604,384)
Community services	2,750			(2,750)
Food services	409,572	151,947	223,731	(33,894)
Athletics	255,315	55,949		(199,366)
Capital projects	-			-
Capital outlay (noncapitalized)	33,791			(33,791)
Interest on long-term debt	644,279		-	(644,279)
Depreciation - unallocated	551,112			(551,112)
Total governmental activities	<u>\$ 9,994,174</u>	<u>\$ 209,436</u>	<u>\$ 538,263</u>	<u>(9,246,475)</u>
General revenues:				
Property taxes, levied for general purposes				550,076
Property taxes, levied for debt service				915,348
State aid - unrestricted				7,668,049
Transfers from other districts				35,976
Interest and investment earnings				256,837
Other				51,399
Total general revenue				<u>9,477,685</u>
Change in net assets				231,210
Net assets, beginning of year				1,661,266
Net assets, end of year				<u>\$ 1,892,476</u>

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	GENERAL FUND	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash & equivalents	\$ 30,971		\$ 19,366	\$ 50,337
Investments	992,312	\$ 1,303,304	371,642	2,667,258
Due from other funds	45,638		-	45,638
Due from other governmental units	1,455,079			1,455,079
TOTAL ASSETS	\$ 2,524,000	\$ 1,303,304	\$ 391,008	\$ 4,218,312
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$ 25,273	\$ 143,408	\$ 8,783	\$ 177,464
Note payable	1,300,000			1,300,000
Due to other funds	-	37,152	8,486	45,638
Benefits payable	197,795			197,795
Salaries payable	554,182			554,182
Accrued expenses	44,958			44,958
Deferred revenue	26,595			26,595
Payroll liabilities	1,014		-	1,014
TOTAL LIABILITIES	2,149,817	180,560	17,269	2,347,646
FUND BALANCE:				
Reserved		1,122,744	369,000	1,491,744
Unreserved:				-
Designated for compensated absences & early retirement incentives	462,893			462,893
Undesignated	(88,710)		4,739	(83,971)
TOTAL FUND BALANCE	374,183	1,122,744	373,739	1,870,666
TOTAL LIABILITIES & FUND BALANCE	\$ 2,524,000	\$ 1,303,304	\$ 391,008	\$ 4,218,312

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2007

Total Fund Balances - Governmental Funds \$ 1,870,666

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of the capital assets is:	19,257,252
Accumulated depreciation is:	(4,321,865)

Long -term liabilities are not due and payable in the current period and are not reported in the funds:

Accrued compensated absences	(372,167)
Accrued retirement incentives	(90,726)
Accrued interest	(104,677)
Bonds payable	(14,975,000)
Notes payable	(25,834)
Bus loans payable	(79,541)
Deferred bond issuance cost	225,653
Deferred bond issuance cost	124,087
Discount on bond refunding	189,018
Deferred amount on bond refunding	298,465
Amortization of bond issuance cost	(1,897)
Amortization of bond issuance cost	(22,566)
Amortization of bond discount	(2,890)
Amortization of deferred amount	(4,564)
Durant bonds	(78,968)

Balance of taxes receivable at 06/30/07 less allowance for doubtful accounts, expected to be collected after September 1, 2007	8,030
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Net Assets of Governmental Activities	\$ 1,892,476
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The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	GENERAL FUND	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local sources	\$ 637,783	\$ 194,286	\$ 1,140,937	\$ 1,973,006
State sources	7,641,640		26,409	7,668,049
Federal sources	314,532		223,731	538,263
TOTAL REVENUES	<u>8,593,955</u>	<u>194,286</u>	<u>1,391,077</u>	<u>10,179,318</u>
EXPENDITURES:				
Current				
Education				
Instruction	5,466,733			5,466,733
Supporting services	2,728,599			2,728,599
Community services	2,750			2,750
Food services			409,572	409,572
Athletic services			255,315	255,315
Capital outlay	65,707	5,275,620	-	5,341,327
Debt service			1,238,461	1,238,461
TOTAL EXPENDITURES	<u>8,263,789</u>	<u>5,275,620</u>	<u>1,903,348</u>	<u>15,442,757</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>330,166</u>	<u>(5,081,334)</u>	<u>(512,271)</u>	<u>(5,263,439)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from refunding bonds			7,950,000	7,950,000
Bond premium			(189,018)	(189,018)
Payment to bond escrow agent			(7,495,000)	(7,495,000)
Loan proceeds	62,344			62,344
Loan payments - principal	(144,023)			(144,023)
Loan payments - interest & fees	(49,148)			(49,148)
Sale of property	3,152			3,152
Transfers from other districts	35,976			35,976
Transfer in	-		177,265	177,265
Transfer out	(177,265)	-		(177,265)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(268,964)</u>	<u>-</u>	<u>443,247</u>	<u>174,283</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>61,202</u>	<u>(5,081,334)</u>	<u>(69,024)</u>	<u>(5,089,156)</u>
FUND BALANCE - BEGINNING OF YEAR	312,981	6,204,078	442,763	6,959,822
FUND BALANCE - END OF YEAR	<u>\$ 374,183</u>	<u>\$ 1,122,744</u>	<u>\$ 373,739</u>	<u>\$ 1,870,666</u>

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2007

Total net change in fund balances--governmental funds **\$ (5,089,156)**

Total change in net assets reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(551,112)
Capital outlay	5,375,376

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of year	122,328
Accrued interest payable, end of year	(104,677)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Proceeds from issuance of debt	(7,950,000)
Payments on debt	7,715,000
Deferred bond issuance costs	124,087
Bond discount	189,018
Deferred amount on bond refunding	298,465
Amortization of bond issuance costs	(1,897)
Amortization of bond issuance costs	(7,522)
Amortization of bond discount	(2,890)
Amortization of deferred amount	(4,564)

Proceeds of long-term debt are other financing sources and principal payments are expenditures in the governmental funds, but not in the statement of activities

Repayment of long term debt	144,023
Capital lease payments	31,916

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(1,092)
Accrued revenue at the end of the year	8,030

Compensated absences and early retirement incentives are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental

Accrued compensated absences at the beginning of the year	387,032
Accrued compensated absences at the end of the year	(372,167)
Accrued early retirement incentives at the beginning of the year	74,083
Accrued early retirement incentives at the end of the year	(90,727)

Change in net assets of governmental activities	\$ 231,210
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The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2007

	<u>AGENCY FUNDS</u>	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 19,826	\$ 2,000	\$ 21,826
Investments	108,786		108,786
<u>TOTAL ASSETS</u>	<u>\$ 128,612</u>	<u>\$ 2,000</u>	<u>\$ 130,612</u>
 <u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES:			
Due to student groups	\$ 128,612		\$ 128,612
NET ASSETS			
Reserved for scholarships		\$ 2,000	2,000
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 128,612</u>	<u>\$ 2,000</u>	<u>\$ 130,612</u>

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
June 30, 2007

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	
	<u>MAIER</u>	<u>DEGROW</u>
ADDITIONS:		
Donations	<u>\$ 48,000</u>	<u>-</u>
DEDUCTIONS:		
Scholarships		\$ 2,000
Transfer to Tuscola Community Foundation	<u>\$ 48,000</u>	<u></u>
CHANGE IN NET ASSETS	\$ -	\$ (2,000)
NET ASSETS:		
Beginning of year	-	4,000
End of year	<u><u>\$ -</u></u>	<u><u>\$ 2,000</u></u>

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Mayville Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, except as described in Note 1. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The Mayville Community Schools (the "District") is governed by the Mayville Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

GOVERNMENTAL FUNDS

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *capital projects* fund accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

OTHER NON-MAJOR FUNDS

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose* trust fund is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where interest payments may be spent for student scholarships. These funds are not included in the District's government-wide financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Modified Accrual Method:

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007 the foundation allowance was based on the pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 17.80 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2006 to August, 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received that are not expended by the close of the fiscal year are recorded as deferred revenue.

For the year ended June 30, 2007, approximately \$140,000 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a change in funding by the MDE.

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No.40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year.

The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund – Non Homestead	17.7953
Debt Service Funds - Homestead and non-homestead	6.0000

4. Prepaid items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 20 years

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case-by-case basis.

6. Compensated Absences.

Vacation days are earned by employees based upon number of years of employment. Non-teachers employees accumulate sick days at the rate of one (1) sick day for every twenty-two (22) days of compensation with a maximum of twelve (12) days per year. Maximum accumulation shall be nine (9) times the days possible to accumulate in one (1) year. Non-teacher employees exceeding their maximum accumulation of sick days will be paid thirty five percent (35%) of their unused sick days exceeding the maximum accumulation. Non-teacher employees (excluding administrators) leaving the District with five (5) years of service will be paid for accumulated sick days at fifty percent (50%) of the employee's current daily rate of pay for each unused day. Administrators leaving the District with five years of service will be paid for accumulated sick days at thirty-five percent (35%) of the employee's current rate of pay for each unused day.

Teachers earn ten (10) sick days per year. Maximum accumulation shall be one hundred (100) days. Teachers exceeding their maximum accumulation of sick days will be paid forty percent (40%) of their unused sick days. Teachers leaving the District with fifteen (15) years of service will be paid for accumulated sick days at forty percent (40%) of the teacher's current daily rate of pay for each unused day.

7. Unemployment Insurance.

The District reimburses the State of Michigan Bureau of Worker's & Unemployment Compensation (BW&UC) for the actual amount of unemployment benefits disbursed by the BW&UC on behalf of the District. Billings received for amounts paid by the BW&UC through June 30 are accrued if material.

8. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Use of Estimates.

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year-end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - general, special revenue and debt service funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.
7. The district currently has a deficit fund balance in the Hot Lunch Fund of \$14,004. This is a violation of the uniform budgeting act.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK:

Cash and cash equivalents are held separately in the name of the district by each of the district's funds.

As of June 30, 2007, the District had the following investments:

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment pool - MICMS	\$ 584,961	0.0027	AAAm	21.07%
MILAF External Investment pool - MIMAX	1,184,961	0.0027	AAAm	42.69%
U.S. Agency Discount Notes	1,006,122	0.0837	A-1+	36.24%
Total fair value	<u>\$ 2,776,044</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.0321</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2007, the fair value of the District's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$22,248 of the District's bank balance of \$122,248 was exposed to credit risk because it was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK (CONTINUED):

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts are reported in the financial statements as follows:

Cash - District wide	\$ 50,337
Fiduciary Funds	19,826
Private Purpose Trust Fund	2,000
Investments - Fiduciary Funds	108,786
Investments - District wide	<u>2,667,258</u>
	<u><u>\$ 2,848,207</u></u>

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 4 - LONG-TERM DEBT:

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Other long-term obligations include compensated absences, claims and judgments, termination benefits and certain risk liabilities.

On February 1, 2007 the District refunded \$7,495,000 of the 2004 term bonds and added additional bonds in the amount of \$455,000. The \$7,950,000 2007 term bonds carry interest rates from 4.000% to 4.125%. The 2007 refunding enabled the District to reduce its total debt service payments over the next twenty-seven years by \$406,167 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$265,093.

Following is a summary of the various long-term debt of the school district:

Limited obligation (Durant) bond, due in annual installments of \$6,000 to \$30,000 through May 15, 2013 with interest of 4.76%.	\$ 78,968
Energy notes are due in annual installments of \$45,000 to \$55,000 through May 1, 2019 with interest of 4.15% due semi-annually.	730,000
School Improvement notes due in annual installments of \$20,000 to \$30,000 through May 1, 2015, with interest at 2.35% to 4.55% due semi-annually.	255,000
2004 Bond issue, due in annual installments of \$190,000 to \$510,000 through May 1, 2023, with interest at 2.25% to 4.60% due semi-annually	6,040,000
2007 Refunding, due in annual installments of \$40,000 to \$865,000 from 2021 through 2034 with interest at 4.000% to 4.125% due semi-annually	7,950,000
Bus notes payable, due in installments of \$5,500 to \$37,500 through July 1, 2011, with interest at 1.90% to 5.47%.	79,541
Less: Discount on bond refunding	(186,128)
Less: Deferred issuance costs	(325,277)
Less: Deferred amount on bond refunding	(293,901)
Total bonded debt	14,328,203
Installment loan obligations through 2008	25,834
Accumulated compensated absences	372,167
Obligations under retirement incentives through 2008.	90,726
Total long-term debt	\$14,816,930

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 4 - LONG-TERM DEBT (CONTINUED):

DEBT SERVICE REQUIREMENTS:

The annual requirements to amortize long-term debt outstanding as of June 30, 2007 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	\$ 468,422	\$ 602,764	\$ 1,071,186
2009	396,729	595,063	991,792
2010	454,229	598,003	1,052,232
2011	420,668	568,202	988,870
2012	441,057	552,924	993,981
2013-2017	2,238,964	2,521,602	4,760,566
2018-2022	2,455,000	2,048,875	4,503,875
2023-2027	3,005,000	1,476,005	4,481,005
2028-2032	3,675,000	816,524	4,491,524
2033-2038	1,695,000	105,600	1,800,600
	<u>15,250,069</u>	<u>9,885,562</u>	<u>25,135,631</u>
Discount on bond refunding	(186,128)		(186,128)
Deferred bond issuance costs	(325,277)		(325,277)
Deferred amount on bond refunding	(293,901)		(293,901)
Accumulated compensated absences	372,167	-	372,167
	<u>\$14,816,930</u>	<u>\$9,885,562</u>	<u>\$24,702,492</u>

An amount of \$369,000 is available in the debt service fund to service the general obligation debt.

CHANGES IN LONG-TERM DEBT:

Following is a summary of long-term debt transactions of the district for the year ended June 30, 2007:

	<u>ACCUMULATED SICK & VACATION PAY</u>	<u>GENERAL OBLIGATION</u>
Long-term debt - July 1, 2006	\$ 387,032	\$15,112,021
Net decrease in accumulated compensated absences	(14,865)	
Additions:		
Retirement incentives payable		42,474
New bus note payable		62,344
Bond refunding		7,950,000
Deductions:		
Retirement paid		(25,831)
Bus notes paid		(49,478)
School improvement notes paid		(20,000)
Computer lease payments		(31,916)
Installment loan paid		(24,545)
Durant bond paid		-
2004 bond issue paid		(7,715,000)
Energy notes paid		(50,000)
Total	<u>\$ 372,167</u>	<u>\$15,250,069</u>

Interest expense (all funds) for the year ended June 30, 2007 was \$644,279.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and post-retirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2007 were 16.34% for July 1 through September 30, 2006 and 17.74% for October 1 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributes to MPERS for the years ended June 30, 2007, 2006, and 2005 were \$800,484, \$785,756, and \$733,909, respectively, and were equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other post-employment benefits – Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

NOTE 6 - OPERATING LEASES:

The District has an operating lease for various copy machines that includes a maintenance agreement. Future minimum payments are as follows:

June 30, 2008	\$34,223
June 30, 2009	32,256
June 30, 2010	32,256
June 30, 2011	10,992
June 30, 2012	-

Lease and maintenance expense on the office equipment for the current year was \$44,056.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 7 - RISK MANAGEMENT:

The District is exposed to risk of loss related to injuries to employees. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES:

Interfund receivable and payable balances at June 30, 2007 are as follows:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 45,638	\$ -
Capital Projects	-	37,152
Food Service	-	8,486
	<u> </u>	<u> </u>
Total	<u>\$ 45,638</u>	<u>\$ 45,638</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 9 – TRANSFERS:

Transfers between funds for the year ended June 30, 2007 were as follows:

<u>Fund</u>	<u>Transfers out</u>	<u>Transfers in</u>
General Fund	\$ 13,000	
General Fund	164,265	
Food Service		\$ 13,000
Athletic Fund		164,265
	<u> </u>	<u> </u>
Total Transfers	<u>\$177,265</u>	<u>\$177,265</u>

The transfers to the food service and athletic funds from the general fund were to subsidize operations.

MAYVILLE COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2007

NOTE 10 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
Assets not being depreciated – Land	\$ 25,000			\$ 25,000
Other capital assets:				
Building & improvements	4,933,236	\$12,654,162	\$ 468,500	17,118,898
Land improvements	86,194	288,628		374,822
Equipment and furniture	524,487	238,953	763,440	
Buses and other vehicles	<u>946,228</u>	<u>62,344</u>	<u>33,480</u>	<u>975,092</u>
Subtotal	6,490,145	13,244,087	501,980	19,232,252
Accumulated depreciation:				
Building, Land				
& Building improvements	(3,082,340)	(391,482)	(468,500)	(3,005,322)
Land improvements	(71,167)	(16,782)		(87,949)
Equipment and furniture	(348,700)	(84,924)		(433,624)
Buses and other vehicles	<u>(770,525)</u>	<u>(57,925)</u>	<u>(33,480)</u>	<u>(794,970)</u>
Subtotal	(4,272,732)	(551,113)	(501,980)	(4,321,865)
Net other capital assets	<u>2,217,413</u>	<u>12,692,975</u>	<u>-</u>	<u>14,910,387</u>
Construction in progress	7,868,712	-	7,868,712	-
Total Net capital assets	<u>\$10,111,125</u>	<u>\$12,692,975</u>	<u>\$7,868,712</u>	<u>\$14,935,387</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$551,113.

NOTE 11 – SUBSEQUENT EVENT:

On August 24, 2007, a state aid note from Mayville State Bank in the amount of \$1,300,000 matured and was paid. The state aid note, which was recorded as a liability at June 30, 2007 on the balance sheet had an interest rate of 4.15%.

On August 24, 2007, the District borrowed \$1,600,000 on a state aid note. The note bears interest at a base rate of 3.95% and will mature on August 26, 2008.

NOTE 12 – COMMITMENTS:

The District has committed substantially all of the \$1.12 million it has remaining in the capital projects fund for the completion of the \$14.135 million bond proposal construction project.

REQUIRED SUPPLEMENTAL INFORMATION

MAYVILLE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007

	GENERAL FUND			VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Local sources	\$ 620,381	\$ 641,398	\$ 637,783	\$ (3,615)
State sources	7,648,070	7,673,023	7,641,640	(31,383)
Federal sources	389,800	364,697	314,532	(50,165)
TOTAL REVENUES	<u>8,658,251</u>	<u>8,679,118</u>	<u>8,593,955</u>	<u>(85,163)</u>
EXPENDITURES				
Instruction	5,588,161	5,513,875	5,466,733	47,142
Supporting services	2,801,457	2,718,768	2,728,599	(9,831)
Capital outlay	3,500	66,086	65,707	379
Community services	-	-	2,750	(2,750)
TOTAL EXPENDITURES	<u>8,393,118</u>	<u>8,298,729</u>	<u>8,263,789</u>	<u>34,940</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>265,133</u>	<u>380,389</u>	<u>330,166</u>	<u>(50,223)</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds	64,000	62,344	62,344	-
Loan payments - principal	(178,643)	(131,754)	(144,023)	(12,269)
Loan payments - interest & fees		(68,542)	(49,148)	19,394
Sale of school property	1,000	3,152	3,152	-
Transfers from other districts	60,625	6,034	35,976	29,942
Fund transfers	(160,000)	(183,000)	(177,265)	5,735
TOTAL OTHER FINANCING SOURCES (USES)	<u>(213,018)</u>	<u>(311,766)</u>	<u>(268,964)</u>	<u>42,802</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>52,115</u>	<u>68,623</u>	<u>61,202</u>	<u>(7,421)</u>
FUND BALANCE - BEGINNING OF YEAR	312,981	312,981	312,981	-
FUND BALANCE - END OF YEAR	<u>\$ 365,096</u>	<u>\$ 381,604</u>	<u>\$ 374,183</u>	<u>\$ (7,421)</u>

ADDITIONAL INFORMATION

MAYVILLE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2007

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>2007</u>
<u>ASSETS</u>			
Cash and equivalents	\$ 19,366		\$ 19,366
Investments	2,642	\$ 369,000	371,642
Accounts receivable	-		-
Due from general fund	-		-
<u>TOTAL ASSETS</u>	<u>\$ 22,008</u>	<u>\$ 369,000</u>	<u>\$ 391,008</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Accounts payable	\$ 8,783		\$ 8,783
Payroll liabilities	-		-
Due to other funds	8,486		8,486
<u>TOTAL LIABILITIES</u>	<u>17,269</u>	<u>-</u>	<u>17,269</u>
<u>FUND BALANCE</u>			
Fund balances:			
Reserved		\$ 369,000	369,000
Unreserved:			
Undesignated	4,739		4,739
Total unreserved	4,739	-	4,739
<u>TOTAL FUND BALANCE</u>	<u>4,739</u>	<u>369,000</u>	<u>373,739</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 22,008</u>	<u>\$ 369,000</u>	<u>\$ 391,008</u>

MAYVILLE COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NONMAJOR FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>2007</u>
REVENUES			
Local sources	\$ 207,896	\$ 933,041	\$ 1,140,937
State sources	26,409	-	26,409
Federal sources	223,731		223,731
TOTAL REVENUES	<u>458,036</u>	<u>933,041</u>	<u>1,391,077</u>
EXPENDITURES			
Food services	409,572		409,572
Athletic services	255,315		255,315
Debt services		1,238,461	1,238,461
TOTAL EXPENDITURES	<u>664,887</u>	<u>1,238,461</u>	<u>1,903,348</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(206,851)</u>	<u>(305,420)</u>	<u>(512,271)</u>
OTHER FINANCING SOURCES (USES)			
Fund transfers in	177,265		177,265
Proceeds from refunding bonds		7,950,000	7,950,000
Bond premium		(189,018)	(189,018)
Payment to bond escrow agent		(7,495,000)	(7,495,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>177,265</u>	<u>265,982</u>	<u>443,247</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>(29,586)</u>	<u>(39,438)</u>	<u>(69,024)</u>
FUND BALANCE AT BEGINNING OF YEAR	34,325	408,438	442,763
FUND BALANCE AT END OF YEAR	<u>\$ 4,739</u>	<u>\$ 369,000</u>	<u>\$ 373,739</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
LOCAL SOURCES:			
Property taxes	\$ 534,711	\$ 543,138	\$ 8,427
Tuition and fees	1,000	1,540	540
Earnings on investments	44,987	44,858	(129)
Rental of school property	7,500	6,667	(833)
Other local revenues	53,200	41,580	(11,620)
Total Local Sources	<u>641,398</u>	<u>637,783</u>	<u>(3,615)</u>
STATE SOURCES:			
Foundation grant	4,783,100	4,783,101	1
Special education	183,579	183,578	(1)
At Risk	234,306	229,592	(4,714)
Vocational education	3,166	3,094	(72)
Other grants	2,455,498	2,428,901	(26,597)
Durant settlement	13,374	13,374	-
Total State Sources	<u>7,673,023</u>	<u>7,641,640</u>	<u>(31,383)</u>
FEDERAL SOURCES:			
ECIA Title I	275,567	242,103	(33,464)
ECIA Title II - Technology	2,829	2,829	-
ECIA Title II - Teacher	82,324	65,049	(17,275)
ECIA Title V	1,977	1,977	-
Other	2,000	2,574	574
Total Federal Sources	<u>364,697</u>	<u>314,532</u>	<u>(50,165)</u>
OTHER TRANSACTIONS:			
Transfers from other districts	6,034	35,976	29,942
Transfers from other funds	-	-	-
Total Transfers	<u>6,034</u>	<u>35,976</u>	<u>29,942</u>
Loan proceeds	62,344	62,344	-
Sale of School property	3,152	3,152	-
TOTAL REVENUES	<u>\$ 8,750,648</u>	<u>\$ 8,695,427</u>	<u>\$ (55,221)</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
BASIC PROGRAMS:			
Elementary			
Salaries	\$ 1,344,910	\$ 1,365,358	\$ (20,448)
Employee benefits	653,213	652,420	793
Purchased services	8,410	8,710	(300)
Supplies and materials	46,727	43,583	3,144
Miscellaneous	400	379	21
Total Elementary	<u>2,053,660</u>	<u>2,070,450</u>	<u>(16,790)</u>
Middle school			
Salaries	825,968	825,338	630
Employee benefits	419,430	419,754	(324)
Purchased services	10,388	10,695	(307)
Supplies and materials	32,835	32,664	171
Miscellaneous	500	245	255
Total Middle school	<u>1,289,121</u>	<u>1,288,696</u>	<u>425</u>
High school			
Salaries	850,489	850,644	(155)
Employee benefits	448,983	449,776	(793)
Purchased services	36,952	60,677	(23,725)
Supplies and materials	46,617	46,285	332
Miscellaneous	400	169	231
Total High school	<u>1,383,441</u>	<u>1,407,551</u>	<u>(24,110)</u>
Pre-School			
Salaries	60,384	27,147	33,237
Employee benefits	15,256	13,894	1,362
Purchased services	-	-	-
Supplies and materials	260	257	3
Miscellaneous	-	569	(569)
Total Pre-School	<u>75,900</u>	<u>41,867</u>	<u>34,033</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
ADDED NEEDS:			
Special education			
Salaries	\$ 249,817	\$ 250,293	\$ (476)
Employee benefits	138,729	138,324	405
Supplies and materials	1,586	1,391	195
Total Special education	<u>390,732</u>	<u>390,577</u>	<u>155</u>
Compensatory education			
Salaries	154,050	127,475	26,575
Employee benefits	79,059	72,569	6,490
Purchased services	85,835	65,734	20,101
Supplies and materials	-	553	(553)
Miscellaneous	-	59	(59)
Total Compensatory education	<u>318,944</u>	<u>266,390</u>	<u>52,554</u>
Vocational education			
Salaries	1,651	1,651	-
Employee benefits	426	419	7
Total Vocational education	<u>2,077</u>	<u>2,070</u>	<u>7</u>
Drivers education			
Salaries	-	(700)	700
Employee benefits	-	(168)	168
Supplies and materials	-	-	-
Total Drivers education	<u>-</u>	<u>(868)</u>	<u>868</u>
TOTAL INSTRUCTION	<u>5,513,875</u>	<u>5,466,733</u>	<u>47,142</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
Support services- pupil			
Salaries	\$ 136,419	\$ 132,704	\$ 3,715
Employee benefits	82,031	78,959	3,072
Purchased services	8,925	9,025	(100)
Supplies and materials	3,375	3,257	118
Total Supporting services	<u>230,750</u>	<u>223,945</u>	<u>6,805</u>
 Health services			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Total Health services	<u>-</u>	<u>-</u>	<u>-</u>
 Other pupil services			
Salaries	810	810	-
Total Other pupil services	<u>810</u>	<u>810</u>	<u>-</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
Support service- instructional staff			
Library			
Salaries	\$ 122,789	\$ 122,741	\$ 48
Employee benefits	72,068	72,182	(114)
Purchased services	1,600	1,300	300
Supplies and materials	7,560	8,947	(1,387)
Miscellaneous	7,400	7,384	16
Total Support service- library	<u>211,417</u>	<u>212,554</u>	<u>(1,137)</u>
Support service- general administration			
Board of education			
Salaries	5,100	12,250	(7,150)
Employee benefits	391	937	(546)
Purchased services	32,930	33,424	(494)
Supplies and materials	1,684	1,684	
Miscellaneous	5,100	7,691	(2,591)
Total General administration	<u>45,205</u>	<u>55,986</u>	<u>(10,781)</u>
Executive administration			
Salaries	100,904	102,404	(1,500)
Employee benefits	47,612	47,992	(380)
Purchased services	9,580	9,768	(188)
Supplies and materials	400	131	269
Miscellaneous	1,235	1,085	150
Total Executive administration	<u>159,731</u>	<u>161,380</u>	<u>(1,649)</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
Support service- school administration			
School administration			
Salaries	\$ 287,597	\$ 288,990	\$ (1,393)
Employee benefits	175,426	172,178	3,248
Purchased services	18,882	19,613	(731)
Supplies and materials	2,825	2,650	175
Miscellaneous	2,825	2,770	55
Total School administration	<u>487,555</u>	<u>486,201</u>	<u>1,354</u>
Other school administration			
Salaries	54,856	55,330	(474)
Employee benefits	37,389	37,382	7
Purchased services	100	-	100
Supplies and materials	291	291	-
Miscellaneous	150	33	117
Total Other school administration	<u>92,786</u>	<u>93,036</u>	<u>(250)</u>
Support services- business			
Business administration			
Salaries	34,014	34,014	-
Employee benefits	24,274	24,209	65
Purchased services	11,594	8,049	3,545
Supplies and materials	1,255	1,254	1
Miscellaneous	11,000	10,662	338
Total Business administration	<u>82,137</u>	<u>78,188</u>	<u>3,949</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
Other business services			
Purchased services	\$ 8,017	\$ 8,017	-
Miscellaneous	57,213	59,859	\$ (2,646)
Total Other business services	<u>65,230</u>	<u>67,876</u>	<u>(2,646)</u>
Operations and maintenance			
Salaries	297,439	302,979	(5,540)
Employee benefits	199,376	200,229	(853)
Purchased services	93,230	92,090	1,140
Supplies and materials	258,338	250,226	8,112
Miscellaneous	250	673	(423)
Total Operations and maintenance	<u>848,633</u>	<u>846,197</u>	<u>2,436</u>
Pupil transportation			
Salaries	207,394	209,234	(1,840)
Employee benefits	117,498	118,740	(1,242)
Purchased services	18,952	19,092	(140)
Supplies and materials	65,626	66,268	(642)
Miscellaneous	910	1,467	(557)
Total Pupil transportation	<u>410,380</u>	<u>414,801</u>	<u>(4,421)</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
Support service-other			
Salaries	\$ 6,000	\$ 6,603	\$ (603)
Employee benefits	440	520	(80)
Purchased services	76,194	79,043	(2,849)
Supplies and materials	1,500	1,459	41
Total Support service-other	<u>84,134</u>	<u>87,625</u>	<u>(3,491)</u>
TOTAL SUPPORTING SERVICES	<u>2,718,768</u>	<u>2,728,599</u>	<u>(9,831)</u>
Capital outlay			
Instructional services			
High school	400	-	400
Pre-School	-	-	-
Special education	1,200	1,200	-
Compensatory education	-	-	-
Supporting services			
Operating building	1,326	1,326	-
Pupil transportation	63,160	63,181	(21)
TOTAL CAPITAL OUTLAY	<u>66,086</u>	<u>65,707</u>	<u>379</u>

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES:			
Community activities			
Miscellaneous	-	\$ 2,750	\$ (2,750)
Total Community activities	<u>-</u>	<u>2,750</u>	<u>(2,750)</u>
 TOTAL EXPENDITURES	 <u>\$ 8,298,729</u>	 <u>8,263,789</u>	 <u>34,940</u>
 OUTGOING TRANSFERS AND OTHER:			
Transfers to other funds	183,000	177,265	5,735
Loan payments - principal	131,754	144,023	(12,269)
Loan payments - interest & fees	68,542	49,148	19,394
 TOTAL OUTGOING TRANSFERS AND OTHER	 <u>383,296</u>	 <u>370,436</u>	 <u>12,860</u>
 TOTAL EXPENDITURES AND OTHER FINANCING SOURCES	 <u>\$ 8,682,025</u>	 <u>\$ 8,634,225</u>	 <u>\$ 47,800</u>

MAYVILLE COMMUNITY SCHOOLS
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2007

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and equivalents	\$ 528	\$ 18,838	\$ 19,366
Investments	-	2,642	2,642
Accounts receivable			-
Due from general fund	-		-
<u>TOTAL ASSETS</u>	<u>\$ 528</u>	<u>\$ 21,480</u>	<u>\$ 22,008</u>
 <u>LIABILITIES & FUND EQUITY</u>			
LIABILITIES:			
Accounts payable	\$ 6,046	\$ 2,737	\$ 8,783
Payroll liabilities		-	-
Due to general fund	8,486	-	8,486
<u>TOTAL LIABILITIES</u>	<u>14,532</u>	<u>2,737</u>	<u>17,269</u>
 FUND BALANCE:			
Fund Balance	(14,004)	18,743	4,739
<u>TOTAL FUND BALANCE</u>	<u>(14,004)</u>	<u>18,743</u>	<u>4,739</u>
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 528</u>	<u>\$ 21,480</u>	<u>\$ 22,008</u>

MAYVILLE COMMUNITY SCHOOLS
ALL SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTAL</u>
REVENUES:			
Local sources	\$ 151,947	\$ 55,949	\$ 207,896
State sources	26,409		26,409
Federal sources	223,731		223,731
TOTAL REVENUES	<u>402,087</u>	<u>55,949</u>	<u>458,036</u>
EXPENDITURES:			
Salaries and wages	97,150		97,150
Employee benefits	59,296		59,296
Purchased services	71,778		71,778
Supplies and materials	170,033		170,033
Capital outlay	366		366
Athletic activities		255,315	255,315
Miscellaneous	10,949		10,949
TOTAL EXPENDITURES	<u>409,572</u>	<u>255,315</u>	<u>664,887</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,485)</u>	<u>(199,366)</u>	<u>(206,851)</u>
OTHER FINANCING SOURCES (USES):			
Fund transfers in	13,000	164,265	177,265
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>5,515</u>	<u>(35,101)</u>	<u>(29,586)</u>
FUND BALANCE AT BEGINNING OF YEAR	(19,519)	53,844	34,325
FUND BALANCE AT END OF YEAR	<u>\$ (14,004)</u>	<u>\$ 18,743</u>	<u>\$ 4,739</u>

MAYVILLE COMMUNITY SCHOOLS
CAPITAL PROJECTS FUND
BALANCE SHEET
June 30, 2007

	<u>2004 CAPITAL PROJECT</u>
<u>ASSETS</u>	
Investments	\$ 1,303,304
TOTAL ASSETS	<u>\$ 1,303,304</u>
 <u>LIABILITIES & FUND BALANCE</u>	
LIABILITIES:	
Accounts payable	\$ 143,408
Due to other funds	37,152
TOTAL LIABILITIES	<u>180,560</u>
 FUND BALANCE:	
Reserved	1,122,744
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 1,303,304</u>

MAYVILLE COMMUNITY SCHOOLS
CAPITAL PROJECTS FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007

	<u>2004 CAPITAL PROJECT</u>
REVENUES:	
Local Sources:	
Interest	\$ 194,286
TOTAL REVENUES	<u>194,286</u>
EXPENDITURES:	
Capital outlay	5,275,620
TOTAL EXPENDITURES	<u>5,275,620</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,081,334)</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from issuance of bonds	
Bond premium	
Loss on investments	
	<u> </u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>(5,081,334)</u>
FUND BALANCES:	
Beginning of Year	6,204,078
End of Year	<u><u>\$ 1,122,744</u></u>

MAYVILLE COMMUNITY SCHOOLS
DEBT SERVICE FUND
BALANCE SHEET
June 30, 2007

	<u>ASSETS</u>	
Investments		\$ 369,000
<i>TOTAL ASSETS</i>		<u>\$ 369,000</u>
	<u>LIABILITIES & FUND BALANCE</u>	
LIABILITIES:		
FUND BALANCE:		
Fund balance		\$ 369,000
<i>TOTAL LIABILITIES & FUND BALANCE</i>		<u>\$ 369,000</u>

MAYVILLE COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007

	<u>2004 DEBT</u>	<u>DURANT DEBT</u>	<u>TOTAL</u>
REVENUES:			
Local Sources:			
Property taxes	\$ 915,348		\$ 915,348
Interest	17,693		17,693
Total Local Sources	<u>933,041</u>		<u>933,041</u>
State Sources		-	-
TOTAL REVENUES	<u>933,041</u>	<u>-</u>	<u>933,041</u>
EXPENDITURES:			
Debt Service:			
Principal repayment	220,000	-	220,000
Interest and other fiscal charges	1,018,461	-	1,018,461
TOTAL EXPENDITURES	<u>1,238,461</u>	<u>-</u>	<u>1,238,461</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(305,420)</u>	<u>-</u>	<u>(305,420)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from refunding bonds	7,950,000		7,950,000
Bond premium	(189,018)		(189,018)
Payment to bond escrow agent	(7,495,000)		(7,495,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>265,982</u>	<u>-</u>	<u>265,982</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>(39,438)</u>	<u>-</u>	<u>(39,438)</u>
FUND BALANCES:			
Beginning of Year	408,438	-	408,438
End of Year	<u>\$ 369,000</u>	<u>-</u>	<u>\$ 369,000</u>

MAYVILLE COMMUNITY SCHOOLS
AGENCY FUND
SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BALANCE AT</u> <u>6/30/2006</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE AT</u> <u>6/30/2007</u>
<u>Student activities</u>				
Boys basketball	\$ 2,378	\$ 9,963	\$ 6,479	\$ 5,862
Baseball	(18)	2,444	1,537	889
Class of 2004	-			-
Class of 2005	(80)			(80)
Class of 2006	273		273	-
Class of 2007	5,124	(3,218)	1,905	1
Class of 2008	944	8,228	6,429	2,743
Class of 2009	404	1,365	1,181	588
Class of 2014	341	-		341
Field Trip - 2015	1,764	-	1,764	-
Class of 2015		20,807	20,009	798
Class of 2016		1,344	1,343	1
Class of 2018	1,377	476	975	878
AAU	2,276	5,046	2,407	4,915
ADV Science	331	2,646	2,752	225
Art	289	289	317	261
Assembly	10,638	2,713	2,373	10,978
Band	1,349	10,478	12,026	(199)
Cheerleading	69	237	206	100
Cheerleading Jr. High	44	-	44	-
Community for kids	74	-	-	74
DC 2010	250		250	-
DC 2011	1,290	1,583	2,873	-
DC 2012	175	873	-	1,048
Drama	2,556	3,343	2,420	3,479
HS Drama	53			53
Drivers Education	1,292			1,292
Ecology	2,082	1,075	1,868	1,289
Elementary library	1,039	7,729	7,214	1,554
Elementary pop	279	787	726	340
Elementary Revolving	7,397	4,273	4,263	7,407
Equestrian Team	152			152
Exchange	1,484	(288)	572	624
Future Homemakers of America	79		79	-
Football	6,386	11,050	8,596	8,840
Foot path	355			355
Fun Fair	3,170	13,070	13,558	2,682
Girls basketball	2,261	10,898	9,980	3,179
HS newspaper	131			131
Golf	116	1,172	560	728
Interest	6,170	5,555		11,725
JRFH	220	529	529	220
JWFB	580			580
Library	390	1,669	1,781	278
Lock deposit	690	89		779
Mayville mornings	569			569

MAYVILLE COMMUNITY SCHOOLS
AGENCY FUND
SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BALANCE AT</u> <u>6/30/2006</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE AT</u> <u>6/30/2007</u>
MSA 2008	\$ 13		\$ 13	
MAS 2009	-			-
MAS 2010	-	\$ 666	92	\$ 574
MAS 2011	(2,247)	3,050	778	25
MAS 2012	(231)	2,400	1,466	703
MAS 2013	214	1,165	1,171	208
MPC	200	3,343	1,567	1,976
Middle school gazette	24			24
Middle school library	161	1,997	1,820	338
Middle school pop	328	97	82	343
Middle school revolving	11,238	1,545	2,068	10,715
Middle school robotics	99		50	49
Middle school student council	958	5,601	4,996	1,563
Middle school yearbook	1,577	2,862	2,817	1,622
Milk	(54)	968	711	203
NAHS	292			292
NHS	707	620	683	644
NOT	347		40	307
POMMS	145			145
Path finders	826		75	751
Playground	2,001	6,528	7,153	1,376
Pride society	114			114
Projects	1,000	(746)	254	-
Pop fund	1,934		934	1,000
Students against drunk drivers	196	181	337	40
Science supply	23			23
Secretary	93		15	78
Ski club	702	1,073	1,220	555
Softball	933	241	225	949
Sophomore literature	34			34
Spanish club	372	738	529	581
Steno clerical	107		107	-
Student council	1,899	1,522	878	2,543
Sunday basketball	353	916		1,269
Maier foundation	-	48,000	48,000	-
Textbook	1,187	2,223	3,229	181
Track	1,716	5,918	7,143	491
Trophy case	923			923
Use of facilities	658	280		938
Varsity volleyball	3,981	5,126	6,835	2,272
Wildcat AC	5,006	2,525	212	7,319
Mayville sports boosters	7,080		1,587	5,493
Wrestling	100	1,000	1,096	4
Weight lifting equipment	131			131
Yearbook	4,063	8,615	6,541	6,137
TOTAL ACTIVITY FUNDS	<u>\$ 115,946</u>	<u>\$ 234,679</u>	<u>\$ 222,013</u>	<u>\$ 128,612</u>

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - SCHOOL BUILDING & SITE
June 30, 2007

In September 2004, the District sold the 2004 School Building and Site Bonds in the amount of \$14,135,000 for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, furnishing, and refurbishing, equipping and re-equipping school facilities; acquiring, installing and equipping a new maintenance building; and developing and improving sites. \$7,495,000 of these bonds were refunded during the year ended June 30, 2007.

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
\$ 265,000	2.75	\$ 118,463	\$ 118,463	2008	\$ 501,926
290,000	3.00	114,819	114,819	2009	519,638
305,000	3.25	110,469	110,469	2010	525,938
315,000	3.50	105,513	105,513	2011	526,026
325,000	3.25	100,001	100,001	2012	525,002
335,000	3.38	94,719	94,719	2013	524,438
345,000	3.50	89,066	89,066	2014	523,132
360,000	4.00	83,029	83,029	2015	526,058
375,000	4.00	75,829	75,829	2016	526,658
390,000	4.05	68,329	68,329	2017	526,658
405,000	4.20	60,431	60,431	2018	525,862
425,000	4.25	51,926	51,926	2019	528,852
445,000	4.40	42,895	42,895	2020	530,790
465,000	4.50	33,105	33,105	2021	531,210
485,000	4.50	22,643	22,643	2022	530,286
510,000	4.60	11,730	11,730	2023	533,460
<u>\$ 6,040,000</u>		<u>\$ 1,182,967</u>	<u>\$ 1,182,967</u>		<u>\$ 8,405,934</u>

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - SCHOOL BUILDING & SITE
June 30, 2007

Refunding bonds in the amount of \$7,950,000 were issued February 1, 2007 to refinance \$7,495,000 of the 2004 Bonds (due to mature in the years 2024-2034) and new bonds were issued for \$455,000.

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
		\$ 161,935	\$ 161,934	2008	\$ 323,869
		161,935	161,934	2009	323,869
		161,935	161,934	2010	323,869
		161,935	161,934	2011	323,869
		161,935	161,934	2012	323,869
		161,935	161,934	2013	323,869
		161,935	161,934	2014	323,869
		161,935	161,934	2015	323,869
		161,935	161,934	2016	323,869
		161,935	161,934	2017	323,869
		161,935	161,934	2018	323,869
		161,935	161,934	2019	323,869
		161,935	161,934	2020	323,869
\$ 40,000	4.000%	161,935	161,934	2021	363,869
45,000	4.000%	161,135	161,134	2022	367,269
45,000	4.000%	160,235	160,234	2023	365,469
580,000	4.000%	159,335	159,334	2024	898,669
600,000	4.000%	147,735	147,734	2025	895,469
625,000	4.000%	135,735	135,734	2026	896,469
645,000	4.000%	123,235	123,234	2027	891,469
675,000	4.000%	110,335	110,334	2028	895,669
700,000	4.125%	96,835	96,834	2029	893,669
735,000	4.125%	82,397	82,397	2030	899,794
765,000	4.125%	67,237	67,237	2031	899,474
800,000	4.125%	51,459	51,459	2032	902,918
830,000	4.125%	34,959	34,959	2033	899,918
865,000	4.125%	17,841	17,841	2034	900,682
<u>\$ 7,950,000</u>		<u>\$ 3,615,563</u>	<u>\$ 3,615,541</u>		<u>\$ 15,181,104</u>

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - SCHOOL IMPROVEMENT
June 30, 2007

In December 2003, the District sold School Improvement Bond in the amount of \$315,000 for the purpose of upgrading facilities and instituting energy saving measures.

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
\$ 25,000	3.00	\$ 4,815	\$ 4,815	2008	\$ 34,630
25,000	3.05	4,440	4,440	2009	33,880
30,000	3.20	4,059	4,059	2010	38,118
30,000	3.50	3,579	3,579	2011	37,158
35,000	3.75	3,053	3,053	2012	41,106
35,000	4.15	2,398	2,398	2013	39,796
35,000	4.35	1,671	1,671	2014	38,342
40,000	4.55	910	910	2015	41,820
<u>\$ 255,000</u>		<u>\$ 24,925</u>	<u>\$ 24,925</u>		<u>\$ 304,850</u>

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - ENERGY
June 30, 2007

In December 2003, the District sold Energy Bonds in the amount of \$870,000 for the purpose of upgrading facilities and instituting energy saving measures.

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
\$ 50,000	4.15	\$ 15,148	\$ 15,148	2008	\$ 80,296
50,000	4.15	14,110	14,110	2009	78,220
55,000	4.15	13,073	13,072	2010	81,145
55,000	4.15	11,931	11,931	2011	78,862
60,000	4.15	10,790	10,790	2012	81,580
60,000	4.15	9,545	9,545	2013	79,090
60,000	4.15	8,300	8,300	2014	76,600
65,000	4.15	7,055	7,055	2015	79,110
65,000	4.15	5,706	5,706	2016	76,412
65,000	4.15	4,358	4,358	2017	73,716
70,000	4.15	3,009	3,009	2018	76,018
75,000	4.15	1,556	1,556	2019	78,112
<u>\$ 730,000</u>		<u>\$ 104,581</u>	<u>\$ 104,580</u>		<u>\$ 939,161</u>

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - 1998 ISSUE
June 30, 2007

\$133,737 Durant Bond issued 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
-	-	2008	-
\$ 7,443	\$ 1,949	2009	\$ 9,392
45,836	17,263	2010	63,099
8,168	1,223	2011	9,391
8,557	834	2012	9,391
8,964	427	2013	9,391
<u>\$ 78,968</u>	<u>\$ 21,696</u>		<u>\$ 100,664</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

MAYVILLE COMMUNITY SCHOOLS

ADDITIONAL REPORTS REQUIRED
BY OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2007

CONTENTS

	<u>Page Number</u>
<i>Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With Government Auditing Standards</i>	1 & 2
<i>Report On Compliance With Requirements Applicable To Each Major Program and Internal Control Over Compliance In Accordance With OMB Circular A-133.</i>	3 & 4
<i>Schedule of Expenditures Of Federal Awards</i>	5 & 6
<i>Notes to Schedule of Expenditures of Federal Awards</i>	7
<i>Schedule of Findings and Questioned Costs</i>	8 & 9
<i>Summary Schedule of Prior Audit Findings</i>	10



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

September 19, 2007

To the Board of Education
Mayville Community Schools
Mayville, MI 48744

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of and for the year ended June 30, 2007, which collectively comprise Mayville Community Schools' basic financial statements and have issued our report thereon dated September 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Mayville Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mayville Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mayville Community Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Mayville Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit

To the Board of Education
September 19, 2007

and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance or other matters that we have reported to management of Mayville Community Schools in a separate letter dated September 19, 2007.

This report is intended solely for the information and use of the board of education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

September 19, 2007

To the Board of Education
Mayville Community Schools
Mayville, MI 48744

COMPLIANCE

We have audited the compliance of Mayville Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. Mayville Community Schools' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of Mayville Community Schools' management. Our responsibility is to express an opinion on Mayville Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mayville Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Mayville Community Schools' compliance with those requirements.

In our opinion, Mayville Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as finding 2007-1.

INTERNAL CONTROL OVER COMPLIANCE

The management of Mayville Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mayville Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on the effectiveness of Mayville Community Schools' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

To the Board of Education
September 19, 2007

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated September 19, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Mayville Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Mayville Community Schools' response to the finding identified in our audit is described in the accompanying schedule of federal award findings. We did not audit Mayville Community Schools' response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the board of education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE GRANTOR NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2007
U.S. DEPARTMENT OF AGRICULTURE: Passed through Michigan Dept. of Education: Food Distribution Entitlement Bonus	10.550	\$ 13,695	-	-	\$ 13,695	\$ 13,695	-
	10.565	26	-	-	26	26	-
		13,721	-	-	13,721	13,721	-
Nutrition Cluster National School Breakfast	10.553	40,034	-	-	40,034	40,034	-
National School Lunch Total Nutrition Cluster	10.555	169,976	-	-	169,976	169,976	-
		210,010	-	-	210,010	210,010	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE		223,731	-	-	223,731	223,731	-
U.S. DEPARTMENT OF EDUCATION: Passed through Michigan Dept. of Education: 715300607 Title I Part A 0615300506 Title I Part A	84.010	275,567			154,035	242,103	\$ 88,068
	84.010	297,340	\$ 77,340	\$ 297,340	77,340		-
702500607 - Title V LEA Allocation	84.298	1,977	-	-		1,977	1,977

(Continued)

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE GRANTOR NUMBER</u>	<u>FEDERAL CFDA NUMBER</u>	<u>APPROVED GRANT AWARD AMOUNT</u>	<u>ACCRUED (DEFERRED) REVENUE 6/30/2006</u>	<u>(MEMO ONLY) PRIOR YEAR EXPENDITURES</u>	<u>CURRENT YEAR RECEIPTS</u>	<u>CURRENT YEAR EXPENDITURES</u>	<u>ACCRUED (DEFERRED) REVENUE 6/30/2007</u>
U.S. DEPARTMENT OF EDUCATION: (Continued) Passed through Michigan Dept. of Education: 742900607 ED Tech	84.318	\$ 2,829	-	-		\$ 2,829	\$ 2,829
0605200506 Title IIA 705200607 Title II A	84.367 84.367	84,193 82,324	15,493	84,193	15,493	65,049	- 65,049
Passed through Tuscola Intermediate School District 5014-11 Tech Prep (Huron ISD)	84.243A	2,574	-	-	2,574	2,574	-
TOTAL U.S. DEPARTMENT OF EDUCATION		746,804	92,833	381,533	249,442	314,532	157,923
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 970,535	\$ 92,833	\$ 381,533	\$ 473,173	\$ 538,263	\$ 157,923

MAYVILLE COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTES:

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mayville Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.
2. Title I, CFDA #84.010 was audited as a major program and represents 45% of expenditures.
3. The threshold for distinguishing Type A and B programs was \$300,000.
4. Management has utilized the R7120, Grant Section Auditors' Report, in preparing the schedule of expenditures of federal awards.
5. Federal expenditures are reported as revenue in the following funds in the basic financial statements:

General Fund	\$314,532
Special Revenue Fund	<u>223,731</u>
Subtotal	<u>\$538,263</u>

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiency(ies) that are not considered to be material weakness? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiency(ies) that are not considered to be material weakness? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)
84.010

Name of Federal Program or Cluster
Title I

Dollar threshold used to distinguish between type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

Finding 2007-1 Noncompliance

Criteria:

Federal regulations require keeping semiannual time certifications for all employees charged solely to one federal program.

Condition:

Mayville Community School District did not obtain semiannual certifications for employees charged to the Title I federal program. There were two employees charged 100% to Title I. Even though they did not prepare the time certifications, there was other supporting documentation to verify the employee did work exclusively on Title I.

Cause:

The District is aware of the semiannual time certification requirement and believes this was an oversight.

Effect:

This allowed the District to charge employee time to Title I without proper support.

Recommendation:

Semiannual certifications should be obtained for all employees charged solely to Title I federal programs.

Client Response:

The District will be maintaining semiannual certifications for employees charged solely to the Title I federal program.

MAYVILLE COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

There were no prior year audit findings for the year ended June 30, 2006

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

September 19, 2007

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

To the Board of Education
Mayville Community Schools
Mayville, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Mayville Community Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the school district's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements, will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

The following comments relate to certain of the school district's accounting, financial and administrative policies and procedures that we observed during the course of our audit. These matters are not considered control deficiencies or material weaknesses as defined by professional standards.

IRS 403(b) Final Regulations

Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008. Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

Written Plan Document

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

Suggestions

Set up a committee of benefit officials and participants to review the current plan and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan for school districts.

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year-end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area that will continue to be emphasized is your internal controls.

New Interpretation Of Deferred Compensation Rules Applicable To Teachers And Similar Employees

In August of 2007, the IRS issued new questions and answers related to deferred compensation that can affect teachers and similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, school employees who work 10 months but are paid over 12 months would be deferring compensation into a future year.

These rules are not applicable unless an election must be made. If a school district provides that all employees must spread their pay over 12 months, these rules do not apply.

In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for

future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 – 2009 school year.

Increase Fidelity insurance coverage

We recommend that the District review their fidelity insurance and consider increasing the insurance coverage. With the size of the District's operations and the amounts of money that are frequently involved in individual transactions indicate that the fidelity bond should carry a higher limitation. We believe that this type of protection is a particularly desirable safeguard against loss through theft or misappropriation, and we recommend that it be considered.

Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditures violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letter to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Ending the fiscal year with a deficit (negative fund balance).
- Adopting a budget that, when implemented, would keep the district in a deficit.

The Hot Lunch Fund ended the year with a small deficit fund balance. The 2007-08 budget should accommodate the elimination of this deficit.

We appreciate the opportunity to be of service to the school district. The cooperation extended to us by your staff throughout the audit was greatly appreciated. We look forward each year to continuing our relationship with Mayville Community Schools. Should you wish to discuss any item included in this letter further, we would be happy to do so.

This communication is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants